

Food Commissioner's Department, Co-operative Wholesale Establishment, Petroleum Corporation, Salu Sala and the People's Bank. During 1983 the number of retail outlets of co-operative societies decreased to 7,690 while the number of employees remained at around 45,000.

The importance of the co-operative sector as an essential part of the national distribution system was seen during the disturbances of July 1983. Co-operative societies played a valuable role in averting shortages of basic consumer and other essential items and ensuring their equitable distribution. The service that the co-operative sector extended to consumers by expeditiously extending and intensifying their distribution and marketing network during this time is noteworthy even in the context of a liberalised economy. In the circumstances, the need to facilitate and improve their performance by providing adequate finance, training and other incentives to make them commercially viable, should receive due recognition.

TOURISM

The tourist sector experienced a set-back in 1983 and this was principally due to factors beyond its control. Judged in terms of indicators such as the number of arrivals, earnings, hotel occupancy or employment, the performance of this sector in 1983 was sub-normal. The most glaring reason for the low level of activity was the July disturbances. In addition, the economic situation in Western Europe (which is our main tourist generating market) was still sluggish as many nations were in a state of transition from recession into recovery with no tangible benefits trickling down to Sri Lanka.

Foreign exchange earnings from tourism in 1983 slumped to become only the sixth highest foreign exchange inflow into Sri Lanka in comparison with the fourth place it occupied in 1982. Tourist arrivals in 1983 declined by 17 per cent compared with the previous year and stood at 337,342. This was the first time since 1971, that the positive trend in tourist traffic growth was reversed even though the rate of growth in tourist arrivals, has been declining over the past few years. The effect of the July disturbances on arrival figures is clearly evident by the fact that during the first six months of 1983 tourist arrivals increased by 10 per cent compared with the same period of the previous year but decreased by 45 per cent for the latter six months. However, another factor worth noting is that arrivals in June, 1983 were lower than those in the corresponding month in 1982 and this was due to the decline in the number of arrivals from India as a result of the restrictions imposed by the Indian Government on the duty-free allowance afforded to its nationals. Arrivals from Western Europe and Australasia recorded the highest negative growth rates during the year and decreased by 24 and 22 per cent respectively. Arrivals from Asia declined by 8 per cent. This was mainly due to a drop in Indian tourists by 6 per cent. Arrivals from North America dropped by 5 per cent. Arrivals from Eastern Europe however, increased by 7 per cent during the year under review. Arrivals of "excursionists" (temporary visitors staying in the country for less than 24 hours excluding travellers in transit) totalled 8,836 in 1983 compared with 6,632 in 1982 recording an increase of 33 per cent.

Table 1.40
Tourism Statistics 1982 - 1983

Item	1982	% change over 1981	1983	% change over 1982
1. Tourist arrivals	407,230	9.8	337,342	- 17.2
2. Excursionist arrivals	6,632	- 14.3	8,836	33.2
3. Tourist nights ('000)	4,048	3.6	3,373	- 16.7
4. Gross tourist receipts				
4.1 Rs. Million	3,050.4	19.8	2,560.0	- 16.1
4.2 Dollar Million	146.6	10.7	116.0	- 20.9
4.3 SDR Million	132.8	18.2	101.7	- 23.4
5. Number of arrivals by purpose of visit				
5.1 Pleasure	361,190	8.9	306,824	- 15.0
5.2 Business	27,484	11.5	17,022	- 38.1
6. Number of arrivals by region				
6.1 Western Europe	232,290	- 5.5	176,668	- 23.9
6.2 Asia	135,088	52.2	124,564	- 7.8
6.3 North America	15,528	11.3	14,740	- 5.1
7. Total employment	64,262	16.3	53,608	- 16.6
7.1 Direct	26,776	16.3	22,374	- 16.4
7.2 Indirect	37,486	16.3	31,234	- 16.7

Source: Ceylon Tourist Board.

With regard to market shares, Western Europe, though still accounting for the largest slab, experienced a reduction in its market segment from 57 per cent in 1982 to 52 per cent in 1983. Asia increased its market share to 40 per cent in 1983 from 33 per cent in 1982 primarily through an increased share of Indian tourists who accounted for 27 per cent of total arrivals in 1983 compared with 23 per cent in 1982. All other regions except Australasia increased their market shares in 1983. However, these shares may not be indicative of long-term trends due to the distorted conditions that prevailed during the year.

The total number of tourist nights (which is the total number of tourists multiplied by the average duration of stay in Sri Lanka) which is considered to be a more meaningful indicator of the volume of tourist traffic than the crude arrival statistics was 3,373,420 in 1983 compared with 4,048,409 in 1982 registering a decline of 17 per cent. The average duration of stay in Sri Lanka in 1983 was the same as in the previous year and stood at 10 nights.

The main motive for travel of tourists, in 1983 continued to be pleasure, it accounted for 91 per cent of all arrivals in 1983 as compared with 89 per cent in 1982. The main mode of transport to Sri Lanka in 1983 as in 1982 was by air.

Scheduled and charter flights accounted for approximately 87 per cent of all traffic in each year. The numbers arriving on charter flights decreased to 14 per cent of total air travellers in 1983 from 16 per cent in 1982. This was due to substantial cancellations of group travel following the July disturbances.

Gross earnings from tourism in 1983 were estimated at Rs. 2,560 million which is a decline of 16 per cent when compared with earnings in 1982. In terms of SDRs, earnings declined by 23 per cent in 1983 when compared with 1982.

Tourism is a labour intensive industry and generates employment both directly and indirectly. However, employment in the tourist sector suffered during the latter half of the year due to the drop in arrivals. Direct employment decreased from 26,776 in 1982 to 22,374 in 1983. The number indirectly employed in the tourist sector was estimated at 31,234 in 1983 compared with 37,486 in the previous year. As a result of the low level of activity especially during the second half of the year the majority of casual labour directly employed in the tourist industry was made redundant, for the time being. Those indirectly employed in the tourist sector however, were the more severely affected.

The capacity of the graded accommodation sector increased from 123 units in 1982 to 136 units in 1983 increasing the total number of rooms to 8,643 from 7,539. However, the room occupancy rate for 1983 dropped drastically to 35.9 per cent compared with 47.8 per cent in 1982. Hotel occupancy rate for the first six months of 1983 was 47.0 per cent which is lower than the 50.8 per cent recorded for the same period in 1982. There has been a steady decline in occupancy rates in the graded accommodation sector since 1980 even though the number of tourist arrivals has increased. This implies that tourists are increasingly seeking accommodation in the non-graded sector.

A region-wise break-down of occupancy in the graded accommodation sector reveals that occupancy rates in the Colombo City and Greater Colombo Area were the highest at 52 per cent and 40 per cent respectively. The South Coast which has the largest capacity experienced an occupancy rate of 33 per cent. The East Coast, Hill Country and the Ancient Cities Regions had occupancy rates in the vicinity of about 30 per cent. The Northern Region had the lowest occupancy rate at 11 per cent. A year by year comparison of occupancy rates shows that the Northern Region and the East Coast were the most severely affected. Occupancy rates dropped by 45 per cent and 36 per cent in 1983 and this may be attributed to the security problems associated with these areas which may have deterred tourists. The South Coast and the Ancient Cities Region also experienced a disastrous year as occupancy rates declined by 30 per cent and 20 per cent respectively in 1983. This problem has been aggravated by the unplanned increase in the number of rooms in the graded accommodation sector especially in the South Coast. Considering the declining trend in hotel occupancy over the past few years expansion plans do not appear to have been adequately appraised. Occupancy rates in the Hill Country, Greater Colombo and Colombo City declined by 21 per cent, 19 per cent and 17 per cent respectively in 1983. The Bed/Room ratio decreased from 1.7 in 1982 to 1.65 in 1983. This indicates that there were 165 guests in occupation in every 100 rooms sold. In view of the excess capacity in the graded accommodation sector the Government stopped granting fiscal incentives (tax holidays and duty-free importation of equipment etc.) to new hotel projects from April, 1983. Parallel with this, Central Bank refinance facilities to this sector were also curtailed in order to restrict investment. The graded accommodation sector was most acutely affected by the reduction in tourist traffic following the disturbances and some resort hotels had to partially close down and lay-off employees in an effort to safeguard financial viability. Many hotels experienced severe liquidity problems.

In order to resuscitate the tourist industry in Sri Lanka, the Government allocated a sum of Rs. 40 million to be spent on a massive advertising campaign abroad to attract visitors to the country. The Government has also lowered the rate of Business Turnover Tax for the tourist sector from 15 per cent to 10 per cent in an attempt to cushion the hardship experienced by the industry as a result of the slump in activity. A new promotional strategy is being devised to diversify the source of tourist traffic in order to overcome the problem of relying on a narrow market. There is also a plan to attract the upper income segment of the market which has hitherto by passed Sri Lanka and to encourage special interest and convention traffic which generates greater income.

BALANCE OF PAYMENTS

Balance of Payments Outturn

In 1983 a marked improvement in the terms of trade and a further increase in worker remittances resulted in a substantial narrowing of the current account deficit in SDR terms. In this year the current account deficit was Rs. 11,185 million (SDR 445 million) as compared with Rs. 11,919 million (SDR 519 million) in 1982. The year under review saw a dramatic reversal of the factors that resulted in an adverse balance of payments situation in 1982. The terms of trade which had been declining continuously since 1977 improved in Sri Lanka's favour due mainly to the boom in the prices of Sri Lanka's major plantation exports and the decline in oil prices. Measured in SDR terms, exports grew by 7.6 per cent while imports declined by 1 per cent. In contrast 1982 was characterised by a sluggish growth of exports and an acceleration in imports. The current account deficit as a percentage of GDP declined from 11.9 per cent in 1982 to 9.4 per cent in 1983. When official transfers are excluded, the current account deficit is Rs. 15,201 million (SDR 605 million) as compared with Rs. 15,298 million (SDR 666 million) in 1982 and the ratio of current account to GDP fell from 15.3 per cent to 12.4 per cent between these two years.

Earnings from merchandise exports increased in SDR terms by 7.6 per cent from Rs. 21,098 million (SDR 918 million) in 1982 to Rs. 24,917 million (SDR 988 million) in 1983. Due mainly to very favourable prices being obtained there was a substantial turn around in the combined export earnings. In contrast to a decline of 6.9 per cent in 1982 export earnings from the traditional plantation sector increased by 18.5 per cent in 1983. Export earnings from non-traditional exports (excluding petroleum products) increased by 5.7 per cent due entirely to an increase in textile and readymade garments exports and gem exports.

The outlay on merchandise imports declined marginally by 1 per cent in SDR terms. Total outlay on imports in 1983 amounted to Rs. 45,221 million (SDR 1,796 million) as compared with Rs. 41,501 million (SDR 1,808 million) in the previous year. However, the marginal decline in imports was accompanied by a slight shift away from intermediate and investment goods, to consumption goods. As compared with 1982, the outlay on consumer goods increased by 26 per cent while the outlay on intermediate goods (other than petroleum) increased by 6 per cent. Outlays on petroleum and investment goods declined by 18 per cent and 5 per cent respectively.